

**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

<b>In the Matter of:</b>	)	
	)	
<b>Application of Duke Energy Carolinas, LLC</b>	)	<b>Docket No. 2018-319-E</b>
<b>for Adjustments in Electric Rate Schedules</b>	)	
<b><u>and Tariffs</u></b>	)	

**SURREBUTTAL TESTIMONY OF**

**JOHN HOWAT**

**ON BEHALF OF**

**SOUTH CAROLINA STATE CONFERENCE OF THE NATIONAL ASSOCIATION FOR  
THE ADVANCEMENT OF COLORED PEOPLE,  
SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, AND  
UPSTATE FOREVER**

**March 19, 2019**

**I. Introduction**

**Q. PLEASE STATE YOUR NAME, JOB TITLE, EMPLOYER AND BUSINESS ADDRESS.**

A. My name is John Howat. I am a Senior Policy Analyst at the National Consumer Law Center ("NCLC"), 7 Winthrop Square, Boston, Massachusetts 02110. The National Consumer Law Center is a non-profit law and policy advocacy organization using expertise in consumer law and energy policy to advance consumer justice, racial justice, and economic security for low-income families and individuals in the United States.

**Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

A. Yes. On February 26, 2019, I submitted direct testimony on behalf of the South Carolina State Conference of the National Association for the Advancement of Colored People (SC NAACP), South Carolina Coastal Conservation League ("CCL"), and Upstate Forever.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

A. The purpose of my surrebuttal testimony is to respond to rebuttal testimony of Duke Energy Carolinas ("Company" or "DEC") witnesses Michael J. Pirro and Lesley Quick.

**II. Surrebuttal Testimony**

**Q. PLEASE RESOND TO MR. PIRRO'S CLAIM THAT THE PROPOSED DEC BASIC FACILITIES CHARGE WOULD NOT DISPROPORTIONATELY HARM LOW-VOLUME, LOW-INCOME RESIDENTIAL CUSTOMERS.**

1 A. The support for Mr. Pirro's position is based solely on a chart entitled "# of DEC  
2 Low Income Bills by Usage Level (Household Income < \$30,000)."<sup>1</sup> But Mr.  
3 Pirro provided no citation for the data source used to produce this chart. There is  
4 no way to verify or critique the validity, accuracy, or reliability of the data  
5 presented and the extent to which it applies to DEC's South Carolina service  
6 territory.

7 **Q. DID YOU REQUEST THAT DEC PROVIDE THE SOURCE OF THE**  
8 **DATA USED TO CREATE THE CHART THAT YOU REFERENCED?**

9 A. Yes. NAACP, CCL, and Upstate Forever requested information regarding the  
10 chart on March 13, 2019.

11 **Q. PLEASE DESCRIBE DEC'S RESPONSE.**

12 A. DEC responded that the chart in question was developed using a "proprietary  
13 database" to determine household income level. The Company provided no  
14 information in its response detailing the methodology used to derive customer  
15 income, nor did they provide workpapers with customer electricity usage  
16 information. In addition, the Company has not provided information regarding  
17 electricity usage of customers with annual income greater than \$30,000.

18 **Q. WHAT IS YOUR CONCLUSION REGARDING DEC'S RESPONSE AS**  
19 **DESCRIBED ABOVE?**

20 A. The Company's response demonstrates that the methodology used to create the  
21 usage by income chart on p. 7 of the Pirro Rebuttal is not replicable, and no  
22 independent evaluation or analysis may be conducted to verify the validity or  
23 reliability of data reflected in the chart. In short, the chart and the response to a

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<sup>1</sup> Rebuttal Testimony of Michael J. Pirro (*hereinafter*, "Pirro Rebuttal"), p. 7.

1 request for basic information about the chart do nothing to weaken the data-  
2 driven conclusions regarding the relationship between usage and income as  
3 detailed in my Direct Testimony.

4 **Q. WAS THE COMPANY PREVIOUSLY ASKED TO PROVIDE DATA**  
5 **REGARDING ENERGY USAGE OF ITS LOW-INCOME CUSTOMERS?**

6 A. Yes. As I indicated in my direct testimony, in response to a data request that  
7 included requests for kilowatt hour sales information from the Company's low-  
8 income customers, DEC responded that "it does not currently track this  
9 information for low income customers." See Exhibit JH-2. The inclusion of a  
10 chart purporting to show usage information of its "low-income" customers in the  
11 Pirro Rebuttal was a surprise given the Company's previous responses to other  
12 data requests regarding bad debt and arrearages by socio-economic status that  
13 stated unequivocally that the DEC "*does not obtain or maintain customer data*  
14 *based on zip code or socio-economic status.*" Exhibit JH-9 (DEC Response to VS  
15 DR 3-9 and 3-10). Whatever its shortcomings, the chart on p. 7 of the Pirro  
16 Rebuttal purports to show customer data based on socio-economic status, in  
17 direct contradiction to the Company's responses to previous data requests.

18 **Q. PLEASE FURTHER DESCRIBE THE CHART ON P. 7 OF MR. PIRRO'S**  
19 **REBUTTAL TESTIMONY.**

20 A. The horizontal axis of the chart depicts a usage range in increments of 100 kWh,  
21 and the vertical axis the number of bills to "low-income" customers, defined as  
22 those with a household income of \$30,000 or less. It is not apparent from the  
23 Pirro Rebuttal or the Company's response to our data request whether this chart is

1 displaying average monthly usage for households who earn \$30,000 per year or  
2 less or usage during a particular month.

3 **Q. WOULD IT MATTER WHETHER THE CHART ON P. 7 OF MR.**  
4 **PIRRO'S REBUTTAL TESTIMONY DEPICTS USAGE FROM A COLD**  
5 **WINTER MONTH, HOT SUMMER MONTH, OR MILD MONTH FROM**  
6 **THE SPRING OR FALL?**

7 A. Yes, it would make a significant difference. Average monthly usage includes a  
8 blend of lower-usage months (typically in the spring or fall months when there is  
9 far less demand for residential heating or cooling) and higher-usage months (for  
10 electrically heated homes and homes with air conditioning, the coldest winter  
11 months and hottest summer months). If the chart on p.7 of the Pirro Rebuttal is  
12 from one of those months that typically see much higher usage, it would not  
13 provide an accurate picture of average, annual usage.

14 **Q. DOES HOUSEHOLD INCOME OF \$30,000 OR LESS PROVIDE AN**  
15 **APPROPRIATE INDICATOR OF WHAT CONSTITUTES A "LOW-**  
16 **INCOME" HOUSEHOLD?**

17 A. No. The South Carolina Low Income Home Energy Assistance Program  
18 ("LIHEAP") income eligibility guidelines are capped at 150% of the federal  
19 poverty guideline. The guideline is based on *both* household size and gross  
20 household income. Relying solely on a household income level, without  
21 accounting for household size, is not an appropriate means of providing a count  
22 of such households, particularly if the income ceiling is as high as \$30,000.  
23 Relying solely on a \$30,000 income ceiling will result in a household count that  
24 includes households that are not low-income, according to the South Carolina

LIHEAP income eligibility ceiling. The table below provides South Carolina  
LIHEAP income eligibility guidelines from 2017.

**2017 POVERTY GUIDELINES FOR THE 48  
CONTIGUOUS STATES AND THE DISTRICT OF  
COLUMBIA**

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE	150% OF THE POVERTY GUIDELINE
1	\$11,880	\$17,820
2	\$16,020	\$24,030
3	\$20,160	\$30,240
4	\$24,300	\$36,450
5	\$28,440	\$42,660
6	\$32,580	\$48,870
7	\$36,730	\$55,095
8	\$40,890	\$61,335

*Source: U.S. Department of Health & Human Services, LIHEAP  
Clearinghouse*

*<https://liheapch.acf.hhs.gov/news/july16/FPG.htm>*

The table above clearly shows that a single-person household or a 2-person household with income of \$30,000 would not be considered to have a low-income under LIHEAP income screening criteria. The table below, which provides the most recent Census Bureau data on median income by household size in South Carolina, demonstrates that there are, in fact, households in the state with income below \$30,000 that would be income ineligible to participate in LIHEAP. The table shows that the median income, single-person household would fall into the category of LIHEAP ineligibility but income of less than \$30,000.

**MEDIAN HOUSEHOLD INCOME IN THE PAST 12 MONTHS (IN  
2017 INFLATION-ADJUSTED DOLLARS) BY HOUSEHOLD SIZE**

	South Carolina	
	Estimate	Margin of Error
Total:	\$48,781	+/-288
1-person households	\$25,748	+/-279
2-person households	\$56,902	+/-447
3-person households	\$61,840	+/-729
4-person households	\$72,293	+/-937
5-person households	\$66,088	+/-1,552
6-person households	\$64,229	+/-2,231
7-or-more-person households	\$64,340	+/-2,108

*Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates*

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Thus, relying solely on a \$30,000 income cap is not an appropriate means of developing a low-income household count, and results in a pool of households that includes some who would not be eligible to participate in the South Carolina LIHEAP or who would otherwise generally not be considered “low-income.”

**Q. DOES THE CHART ON P. 7 OF MR. PIRRO’S REBUTTAL TESTIMONY, OR ANY OTHER PART OF HIS REBUTTAL TESTIMONY, CAUSE YOU TO MODIFY YOUR POSITION REGARDING DISPROPORTIONATE HARMS TO LOW-VOLUME, LOW-INCOME RESIDENTIAL CUSTOMERS FROM DEC’S PROPOSED BASIC FACILITIES CHARGE?**

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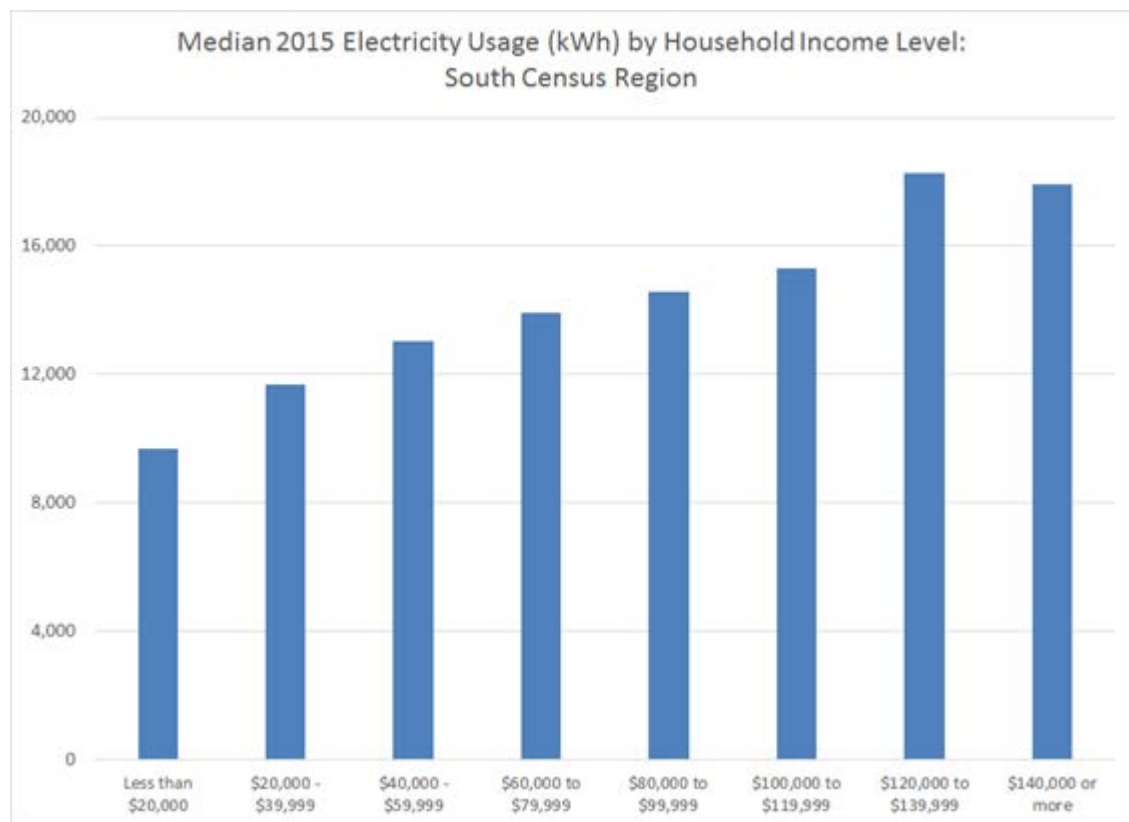
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A. No. In my view Mr. Pirro has provided no evidence that demonstrates that low-income residential customers in the DEC service territory on average use more electricity than their higher-income counterparts, or that the proposed BFC will not shift cost recovery burden from high-volume customers to low-volume customers. From the Company’s response to a related data request, it would

1 appear that those households included in the universe of residential customers  
 2 making under \$30,000 per year on average use about 913 kWh per month, about  
 3 20% below the Company-reported average household use of 1,100 kWh per  
 4 month. Exhibit JH-9 (DEC Response to VS DR 5-1(a2)).

5 As I indicated in my Direct testimony, data from the South Census Region of  
 6 the Residential Energy Consumption Survey—the region that includes South  
 7 Carolina—demonstrates that lower-income households' median electricity usage  
 8 increases in each of the RECS annual household income brackets until the  
 9 highest bracket of \$140,000 is reached.



10  
 11 Source: *U.S. Energy Information Administration, Residential Energy Consumption*  
 12 *Survey*



1 Nothing in the chart on p. 7 of the Pirro Rebuttal suggests that usage rates of  
2 residential customers in DEC's South Carolina service territory vary from this  
3 pattern. Further, this relationship between median household usage and income is  
4 consistent in each of the Census regions, and Mr. Pirro has not provided evidence  
5 that the relationship is different in the DEC service territory. It is beyond debate  
6 that increasing the BFC shifts costs from high-volume to low-volume electricity  
7 consumers. Thus, I maintain my position that the proposed increase in the BFC,  
8 if approved, would disproportionately be borne by and harm DEC's lower-  
9 income residential customers. As indicated in my Direct Testimony, this harm  
10 would particularly accrue to elder and African-American-headed households.

11 **Q. TURNING TO DEC REBUTTAL TESTIMONY OF LESLEY QUICK,**  
12 **WHAT IS YOUR RESPONSE TO THE COMPANY'S CONCERNS**  
13 **ABOUT COLLECTING ADDITIONAL DATA RELATING TO**  
14 **RESIDENTIAL CUSTOMER PAYMENT DIFFICULTIES?**

15 A. Ms. Quick's concerns are misplaced. First, it is difficult to fathom how the  
16 Company cannot identify those customers that receive LIHEAP electric service  
17 benefits. The Company receives LIHEAP payments on behalf of specific  
18 customers and credits those customers' accounts accordingly. Again, in Iowa,  
19 utilities have long reported the number of customers receiving benefits through  
20 LIHEAP. Ms. Quick also asserts that the "Company cannot readily distinguish  
21 customers by income or any socio-economic indicators in the normal course of its  
22 business." Quick Rebuttal, p. 10. But as discussed above in relation to the chart  
23 on p. 7 of the Pirro Rebuttal, the Company apparently does have access to a  
24 "proprietary database" that can run queries of residential consumers by income

1 level. This customer data would help reveal additional indicators of customer  
2 payment difficulties, by matching that data with customer disconnections for  
3 nonpayment and arrearages by vintage and amount. Rates of disconnections for  
4 nonpayment and arrearages could then be calculated so long as the Company also  
5 provided monthly data on the total number of residential accounts.

6 Collecting such data is not at all dependent on instituting a percentage of  
7 income payment program (“PIPP”). Numerous states that do not require utilities  
8 to implement a PIPP—including Iowa, as discussed in my Direct Testimony—  
9 require reporting of credit and collections data in greater detail than that provided  
10 in the Docket No. 2006-193-EG reports.

11 Moreover, there should be no customer privacy concerns from reporting  
12 aggregate data by zip code. Locational data is important for making decisions  
13 about where to make investments in cost-saving energy-efficiency. For example,  
14 the Company’s only income-qualified energy-efficiency program—the  
15 Neighborhood Energy Saver—is targeted at neighborhoods. Collecting and  
16 reporting the requested data by zip code would provide crucial information about  
17 areas of the state that could most benefit by deploying the Neighborhood Energy  
18 Saver or additional low-income programs that may be developed in the future.

19 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

20 **A.** Yes.

STATE OF SOUTH CAROLINA  
BEFORE THE PUBLIC SERVICE COMMISSION  
DOCKET NO. 2018-319-E

CERTIFICATE OF SERVICE

I certify that the following persons have been served with one (1) copy of Surrebuttal Testimony of John Howat by electronic mail and/or U.S. First Class Mail at the addresses set forth below:

Becky Dover  
Carri Grube-Lybarker  
SC Department of Consumer Affairs  
[bdover@scconsumer.gov](mailto:bdover@scconsumer.gov)  
[clybarker@scconsumer.gov](mailto:clybarker@scconsumer.gov)

Bess J. DuRant  
Sowell & DuRant, LLC  
1325 Park Street, Suite 100  
Columbia, SC 29201  
[bdurant@sowelldurant.com](mailto:bdurant@sowelldurant.com)

Carrie M. Harris  
Stephanie U. Eaton  
Spilman Thomas & Battle, PLLC  
110 Oakwood Drive, Suite 500  
Winston-Salem, NC  
[charris@spilmanlaw.com](mailto:charris@spilmanlaw.com)  
[sroberts@spilmanlaw.com](mailto:sroberts@spilmanlaw.com)

Derick P. Williamson  
Spilman Thomas & Battle, PLLC  
1100 Bent Creek Blvd., Suite 101  
Mechanicsburg, PA 17050  
[dwilliamson@spilmanlaw.com](mailto:dwilliamson@spilmanlaw.com)

Heather Shirley Smith  
Duke Energy Progress, LLC  
40 W. Broad Street, Suite 690  
Greenville, SC 29601  
[Heather.smith@duke-energy.com](mailto:Heather.smith@duke-energy.com)

Frank R. Ellerbe, III  
Robinson, McFadden & Moore, P.C.  
PO Box 944  
Columbia, SC 29202  
[fellerbe@robinsongray.com](mailto:fellerbe@robinsongray.com)

John Burnett  
Duke Energy Business Services, LLC  
550 South Tryon Street  
Charlotte, NC 28202  
[John.burnett@duke-energy.com](mailto:John.burnett@duke-energy.com)

Molly McIntosh Jagannathan  
Troutman Sanders LLP  
301 South College Street, Suite 3400  
Charlotte, NC 28202  
[Molly.jagannathan@troutman.com](mailto:Molly.jagannathan@troutman.com)

Richard L. Whitt  
Austin & Rogers, P.A.  
508 Hampton Street, Suite 300  
Columbia, SC 29201  
[rlwhitt@austinrogerspa.com](mailto:rlwhitt@austinrogerspa.com)

Scott Elliott  
Elliott & Elliott, P.A.  
1508 Lady Street  
Columbia, SC 29201  
[selliott@elliottlaw.us](mailto:selliott@elliottlaw.us)

Robert Guild  
314 Pall Mall  
Columbia, SC 29201  
[bguild@mindspring.com](mailto:bguild@mindspring.com)

Thadeus B. Culley  
Vote Solar  
1911 Ephesus Church Road  
Chapel Hill, NC 27517  
[thad@votesolar.org](mailto:thad@votesolar.org)

Alexander G. Shissias  
The Shissias Law Firm, LLC  
1727 Hampton Street  
Columbia, SC 29201  
[alex@shissiaslawfirm.com](mailto:alex@shissiaslawfirm.com)

Len Anthony  
Law Office of Len Anthony  
812 Schloss Street  
Wrightsville Beach, NC 28480  
[len.anthony1@gmail.com](mailto:len.anthony1@gmail.com)

This the 19<sup>th</sup> day of March, 2019.

s/ Stinson Ferguson

Jeffery M Nelson  
C. Lessie Hammonds  
Jenny R. Pittman  
Steven W. Hamm  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201  
[jnelson@ors.sc.gov](mailto:jnelson@ors.sc.gov)  
[lhammonds@ors.sc.gov](mailto:lhammonds@ors.sc.gov)  
[jpittman@ors.sc.gov](mailto:jpittman@ors.sc.gov)  
[sham@ors.sc.gov](mailto:sham@ors.sc.gov)

Hasala Dharmawardena  
145 Cochran Road, Unit 4  
Clemson, SC 29631  
[hasala@ieee.org](mailto:hasala@ieee.org)